

# **MINUTES**

## **North Dakota Public Employees Retirement System**

**Thursday, October 19, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.**

Members Present:	Ms. Joan Ehrhardt Mr. Ron Leingang Mr. Howard Sage Ms. Arvy Smith
Via Video Conference:	Ms. Rosey Sand Chairman Jon Strinden
Others Present:	Mr. Sparb Collins, Executive Director, NDPERS Ms. Cheryl Stockert, NDPERS Ms. Kathy Allen, NDPERS Ms. Deb Knudsen, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Cheryle Masset-Martz, NDPERS Mr. Aaron Webb, Attorney General's Office Mr. Kevin Schoenborn, BCBSND Ms. Onalee Sellheim, BCBSND Mr. Bill Kalanek, AFPE-INDSEA
Via Video Conference	Mr. Larry Brooks, BCBSND Mr. Chad Niles, BCBSND Mr. Michael Moehle, Segal Company Mr. Brad Ramirez, Segal Company
Via Conference Call:	Mr. Andy Flewelling, L.R. Wechsler

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

### **MINUTES**

Chairman Strinden called for any comments or corrections to the September 14, 2006 Board meeting minutes.

**THERE BEING NONE, MR. SAGE MOVED APPROVAL OF THE SEPTEMBER 14, 2006 BOARD MEETING MINUTES. MR. LEINGANG SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **GROUP INSURANCE**

### **GROUP INSURANCE RENEWAL**

Mr. Collins reported staff met with the retiree working group to discuss the Medicare Rx plan. The retiree working group recommended adding additional drug coverage at a cost of \$1.20 per contract per month. The retiree group is also recommending that they meet next spring to review the medical plan and investigate the possibility of separating the retiree plan from the active plan, developing it into more of a Medicare supplement plan design. Mr. Collins stated this working group also agreed that PERS should progress towards moving the medical plan renewal date to coincide with the Medicare Part D renewal date which is January 1. Otherwise the group recommended approval of the renewal. Mr. Brooks, BCBSND, indicated the materials for the Medicare Blue Rx plan must be received by participants by November 1, 2006 pursuant to federal requirements.

**MR. LEINGANG MOVED TO APPROVE THE MEDICARE RX PLAN WITH THE ADDITIONAL PRESCRIPTION DRUG COVERAGE AT \$1.20 PER CONTRACT. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays: None**

**MOTION PASSED**

### **MEDICAL PLAN RENEWAL**

Mr. Collins reviewed the BCBS response to the premium refund issue which had been discussed at the previous Board meeting that stated PERS is not eligible because our plan has the gain sharing provision in place providing for premium refunds. On the interest rate issue, staff indicated they are continuing to work with BCBS and will have additional information at the next Board meeting. Staff also noted the Insurance Commissioner has approved a 7% increase for BCBS fully insured plans and not the 10% originally requested. Mr. Collins suggested we ask BCBS how this affects their proposed renewal for PERS. Staff also noted they continue to work with BCBS on the PBM issue to determine if PERS can audit the PBM. Staff suggested that issue should be referred to the audit committee once BCBS responds.

### **LONG TERM CARE INSURANCE**

Ms. Allen reported to the Board that we went out to bid for long term care insurance and did not receive responses to the RFP. Staff did follow-up with the current carrier UnumProvident to discuss what options may be available regarding the future of the

plan. Unum will continue to offer this plan based on the current plan design and will work with PERS to review the various options that may be available to enhance our current offering. Ms. Allen indicated that staff is recommending we accept the offer to continue the current plan in force and begin to work with Unum after the first of the year to review the options to enhance the plan.

**MS. SAND MOVED TO CONTINUE WITH THE UNUM PROVIDENT GROUP LONG TERM CARE INSURANCE PLAN AND TO WORK WITH THEM TO DETERMINE WHAT OPTIONS MAY BE AVAILABLE TO ENHANCE OUR CURRENT PLAN. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

#### **WELLNESS BENEFIT PROGRAM**

Ms. Allen indicated that at the Board's request, staff has provided additional information relating to the reimbursement methodology and the recommended changes to the wellness benefit program reimbursement policy. Currently the Employer Based Wellness Discount Program is agency based. Mr. Collins indicated that in addition to the change, staff is suggesting that PERS work next year to change the focus of this program to more directly tie to the agency employer based wellness program. He further indicated that the goal of staff would be to make these changes prior to next year's Wellness Forum. If the changes proposed for this year are approved, it was noted they will be rolled out at the next Wellness Forum scheduled for November 7 at the Heritage Center.

**MS. SMITH MOVED TO APPROVE THE STAFF RECOMMENDED CHANGES TO THE REIMBURSEMENT POLICY AND TO MOVE THE WELLNESS PROGRAM TOWARDS AN AGENCY BASED FOCUS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

#### **CIGNA DENTAL**

Ms. Allen reported that the Personal Service Contract between CIGNA Dental and PERS has been reviewed by Mr. Webb, our legal counsel, and the CIGNA team with

modifications as approved by both parties. Staff recommends the Board approve the contract as modified and authorize signature by the Board chairman.

**MS. SMITH MOVED TO APPROVE THE CIGNA CONTRACT. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

#### **2006 EMPLOYEE FLU SHOT PROGRAM**

Ms. Masset presented an update on the flu shot program and stated that as in past years, UND Center for Family Medicine has approached PERS to offer flu shots for state employees and retirees in the Bismarck/Mandan area, with assistance by PERS staff, at a cost of \$10. Pursuant to the agency work plan, staff is working to provide this service in the area and set up a schedule which can be viewed on the website

#### **SMOKING CESSATION PROGRAM**

Mr. Masset stated there is a new prescription medication available for tobacco cessation called Chantix. The public health units have requested our direction regarding coverage for this new smoking deterrent. PERS contacted BCBSND and requested input from Dr. Rice, Chief Medical Officer, regarding the effectiveness of this new medication, Dr. Rice has recommended adding Chantix to coverage for smoking cessation programs. The cost for this product falls within the reimbursement guidelines.

**MS. SAND MOVED THAT WE ACCEPT STAFF RECOMMENDATION TO ALLOW COVERAGE FOR CHANTIX UNDER THE NDPERS SMOKING CESSATION PROGRAM. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

#### **SURPLUS/AFFORDABILITY UPDATE**

Mr. Reinhardt presented the surplus/affordability update for August and reviewed the estimated surplus projection figures with the Board.

## **RETIREMENT**

### **2006 VALUATIONS**

Mr. Collins reported that representatives from Segal Company, Mr. Michael Moehle and Mr. Brad Ramirez, were at the meeting the Board meeting via videoconference. They presented an overview of the actuarial reports for the Main, Judges, National Guard, Law Enforcement, Highway Patrol and Job Service Retirement plans. The following are highlights of the overview:

- The Judges and National Guard have positive contribution margins. Main, Law Enforcement with prior Main service, Law Enforcement without prior Main service, Job Service and Highway Patrol has negative contribution margins. The Retiree Health Insurance Credit Fund has no contribution margin.
- The funded ratio is above 100% for Judges and National Guard but below 100% for Main, Retiree Health Insurance Credit Fund, Law Enforcement with prior Main service, Law Enforcement without prior Main service, Job Service and the Highway Patrol Fund.
- The ratio of the actuarial value of assets to the market value of assets for PERS and HPRS combined has decreased from 86.3% to 82.8%. The market value exceeds the actuarial value by \$282 million.
- The Board adopted a change in the actuarial assumptions, effective with this valuation, which increased the employer cost rate.
- Other than the investment experience loss, there were no other significant gains or losses.
- For Main, Judges, National Guard, Law Enforcement with prior Main service, Law Enforcement without prior Main service and Highway Patrol, the normal cost is in excess of the statutory rate. This means these systems will be relying on an actuarial surplus for the statutory rates to cover the actuarial cost of the plan.

The following are highlights from the overview for the Job Service Retirement plan:

- Frozen plan; declining membership
- Assets do not cover entire obligation at 7%
- Gains this year from salary increases (4.6% vs. 5.0% assumed)
- Gains this year from COLA (4.1% vs. 5.0% assumed)
- Losses from investment return (7.9% vs. 8.0% assumed)

Mr. Collins stated that earlier this year the Board changed the assumed rate of return for the Job Service Retirement Plan from 8% to 7%. At that time, the Board decided to begin reducing the investment return assumption and fund that with the gains the system was developing, with the goal of the investment being more fixed income. Mr. Collins further stated the Board could consider maintaining the 7% assumption but not ask for additional contributions, or change the assumption to 7.5% which would not show a required employer contribution.

### **JOB SERVICE COLA**

According to Article VII (3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, "effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index." It further states..."no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board."

Ms. Allen indicated this year the Federal Civil Service Plan would be providing an annual adjustment of 3.3%. Therefore, a 3.3% COLA increase is recommended for the Job Service retirees paid by NDPERS as well as for the Job Service retirees paid by The Travelers.

**MS. EHRHARDT MOVED TO GRANT THE 3.3% COLA TO JOB SERVICE RETIREES. THE MOTION WAS SECONDED BY MS. SAND.**

Further Board discussion resulted in amendment of the original motion.

**MR. SAGE AMENDED THE MOTION TO INCLUDE CHANGING THE ACTUARIAL RETURN ASSUMPTION ON THE JOB SERVICE PLAN TO 7.5%. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

## **LEGISLATIVE REVIEWS**

Mr. Collins reported that the actuarial review of proposed legislation had been completed by Segal Company and Gallagher Benefit Services. Mr. Collins stated that the purpose of bill number 70080 is to increase the contribution on the main retirement plan to give retirees a percentage cost of living adjustment which would occur in August 2009. Also, it would increase the employer contributions by an amount sufficient to fully pay for that COLA in two years. The actuarial study indicates that the percentage increase is not as high as originally proposed. Mr. Collins continued to explain that bill number 70079 proposes to increase the benefit to the retiree health benefit fund from \$4.50 per year of credited services to \$5.00 per year of credited service and would require a .15% increase in employer contribution.

**MR. SAGE MOVED TO SUBMIT AMENDED LEGISLATION ON BILL NUMBER 70080 TO REFLECT THE ADJUSTED ACTUARIAL COSTS AS RECOMMENDED BY SEGAL. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**MR. SAGE MOVED TO REAFFIRM THE BOARD'S SUPPORT FOR BILL NUMBER 70079. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

Mr. Collins stated that PERS recommendation is to remain neutral on the following bills which are sponsored by legislators: 70030, 70031, 70032, 70062, 70071, 70073, and 70100. It is staff recommendation to support the following bills as written: 70076 (bill was amended at the Sept meeting), and 70077. Mr. Collins stated that, based on the recommendations of the actuaries, bill number 70075 which would allow retirees to receive a 13<sup>th</sup> check equal to 75% of their check should be amended to include the targeted rate of return at 9.06%. Originally, 9.16% was the targeted rate of return. Mr. Collins indicated that, based on the technical review of 70078, it is recommended to delete sections 1 and 7, and to support the bill as amended.

**MR. SAGE MOVED TO REAFFIRM OUR SUPPORT FOR ALL THE BILLS AS WRITTEN EXCEPT FOR 70062, 70075 AND 70078 WHICH WILL BE AMENDED AND TO REMAIN NEUTRAL ON BILLS 70030, 70031, 70032, 70062, 70071, 70073, AND 70100. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

The Board discussed bill number 70062, and concluded that PERS would express concern to the bill sponsor and the legislative employee benefits committee that if the bill goes forth as written with the words "may participate" in uniform group insurance, not "shall participate", that it could result in adverse selection. Mr. Collins pointed out the fact that this would also include the voluntary insurance such as vision, dental, and long term care.

**MS. SAND MOVED THAT, BASED ON THE BOARD'S CONCERN RELATING TO THE WORDING IN BILL NUMBER 70062 WHICH COULD RESULT IN PARTICIPANTS MOVING IN AND OUT OF THE UNIFORM GROUP INSURANCE SYSTEM WITH POSSIBLE ADVERSE SELECTION, PERS STAFF ARE TO SHARE THIS CONCERN WITH THE BILL SPONSOR AND THE LEGISLATIVE EMPLOYEE BENEFITS COMMITTEE. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

The Board discussed bill number 70075 and agreed with the Segal recommendation to decrease the annual return on investment from 9.16% to 9.06%.

**MR. SAGE MOVED TO SUPPORT BILL NUMBER 70075 AS AMENDED. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**



The Board discussed bill number 70078 and agreed with Gallagher Benefit Services review and recommendation to amend the bill to withdraw sections 1 and 7.

**MS. SAND MOVED TO ACCEPT STAFF RECOMMENDATION TO WITHDRAW SECTIONS 1 AND 7 AND SUPPORT THE BILL AS AMENDED. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

### **DEFERRED COMPENSATION**

#### **SUNSET LIFE**

Ms. Allen reported staff recently requested information from Sunset Life and they responded they will no longer be issuing any new policies. Since Sunset Life has acknowledged that it is closed to new business and will no longer enroll NDPERS members in its deferred compensation product, staff recommends that the Board approve the Loss of Active Provider Status for Sunset Life.

**MS. SAND MOVED TO APPROVE THE LOSS OF ACTIVE PROVIDER STATUS FOR SUNSET LIFE. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

#### **LASR**

Ms. Knudsen presented the LASR Project monthly status report ending September 30, 2006 to the Board for their information. Ms. Knudsen presented the proposed evaluation methodology for evaluating the responses we receive on the proposals for the PERS system replacement project. This process has been drafted to comply with the OMB bid requirements. The Request for Proposal will be sent out in mid to late November. Mr. Collins indicated that, even though we are exempt from the OMB procedures in the request for proposal process, we will follow the more formal bidding requirements and have set up consensus scoring as part of this process.

**MR. LEINGANG MOVED TO APPROVE THE EVALUATION METHODOLOGY. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

State Investment Board agenda and minutes were distributed for the Board's information.

The meeting adjourned at 11:10 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board